

Message Text

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ACTION EA-06

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FM AMEMBASSY MANILA

TO SECSTATE WASHDC 6917

AMEMBASSY TOKYO

C O N F I D E N T I A L MANILA 11929

LIMDIS

E.O. 11652: GDS

TAGS: EGEN, EWWT, RP, JA, MARR

SUBJECT: KAWASAKI AGREES TO SET UP SHIP REPAIR YARD IN SUBIC BAY

REF: (A) MANILA 11688; (B) MANILA A-281, AUG 31, 1974

1. KAWASAKI HEAVY INDUSTRIES SIGNED AUG 22 A LETTER OF INTENT WITH THE GOP UNDER WHICH IT AGREED TO PUT UP A DRYDOCK CAPABLE OF HANDLING UP TO 300,000 TON VESSELS IN SUBIC BAY. PROJECT WILL COST AN INITIAL \$72 MILLION AND REPORTEDLY WILL BE LOCATED OFF PEQUEDA ISLAND WHICH IS OUTSIDE OF BUT NEAR THE SUBIC NAVAL BASE AREA.

2. KAWASAKI PRESIDENT KIYOSHI YOTSUMOTO SIGNED THE LETTER OF INTENT WITH EXECUTIVE SECRETARY ALEJANDRO MELCHOR SIGNING FOR THE GOP. EVENT WAS SUBJECT OF A MALACANANG PRESS RELEASE AND WAS CARRIED IN ALL MAJOR DAILIES, INCLUDING PHOTOGRAPH SHOWING PRESIDENT MARCOS APPROVING THE LETTER OF INTENT, AS HOST OF VIP'S, INCLUDING JAPANESE AMBASSADOR SAWAKI, LOOKING ON.

3. MELCHOR HAD DAY EARLIER TOLD AMBASSADOR SULLIVAN THAT GOP WAS GOING TO SIGN LETTER OF INTENT WITH KAWASAKI. PROJECT HAS BEEN BRUITED ABOUT FOR SEVERAL YEARS, AND KAWASAKI REPRESENTATIVES HAVE MADE ORIENTATION VISITS TO SUBIC NAVAL BASE. INITIAL KAWASAKI
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DRAFT LETTER WAS APPARENTLY SUBMITTED TO GOP BACK IN DEC 1974, AND

MEMORANDUM OF UNDERSTANDING WAS EVENTUALLY SIGNED ON MAY 16, 1975. MEMORANDUM PROPOSES OTHER AREAS OF COOPERATION IN ADDITION TO SHIP REPAIR PROJECT, AND ONE PROPOSAL ASSUMING GREATER INTEREST NOW IS THE LAYING UP OF VLCCS IN PHILIPPINE WATERS.

4. DESPITE EARLIER GENESIS OF PROJECT, FACT THAT KAWASAKI PLANS NOW APPEAR TO BE ASSUMING CONCRETE AND PUBLIC FORM MAY PRESENT SOME AWKWARD PROBLEMS FOR KAWASAKI, GOP, GOJ AND USG. IN AFTERMATH OF VIETNAM DEBACLE GOP HAS PROPOSED RENEGOTIATION OF U.S./RP BASES AGREEMENT, INTER ALIA, TO TURN SUBIC NAVAL BASE INTO A COMMERCIAL ENTERPRISE. ALTHOUGH THE KAWASAKI PROJECT IS SEPARATE BOTH PHYSICALLY AND HISTORICALLY, BOTH PROPOSALS TEND TO BLUR INTO ONE IN THE MINDS OF FILIPINOS, AND IN THE THINKING OF KEY FILIPINO NEGOTIATORS SUCH AS MELCHOR THEY ARE OBVIOUSLY NOT SEPARATE FOR ALL PURPOSES. KAWASAKI THUS APPEARS TO BE CUTTING IN OR CURRENT RP MANEUVERINGS ON THE BASES AND SHOULD BE AWARE OF POSSIBILITIES THAT FIRM IS NOW BEING USED AS A FOIL AND CAN GET APPROPRIATELY MOUSETRAPPED FOR ITS PAINS.

5. AS INDICATED IN REPORTS UNDER REFERENCE, KAWASAKI GROUP SEEMS TO BE DEVELOPING INTO FAVORED PARTNER OF GOP FOR A NUMBER OF VENTURES. KAWASAKI STEEL HAS SHOWN IT CAN TRANSLATE AGREEMENTS INTO CONCRETE RESULTS FAIRLY RAPIDLY. UNFORTUNATELY, KAWASAKI PRESIDENT KIYOSHI YOTSUMOTO AND PHILIPPINE SINTER CORPORATION (KAWASAKI/PHILVEDEC JOINT VENTURES) PRESIDENT MOTOY SAKAKI LEFT MANILA SOON AFTER SIGNING, AND WE HAVE THOUGHT IT UNWISE TO PRESENT THIS TYPE OF PROBLEM TO LOCALLY AVAILABLE KAWASAKI TALENT. WE WOULD ALSO LIKE TO RESERVE FOR THE TIME BEING ON PURSUING THE MATTER AT THE AMBASSADORIAL LEVEL HERE.

6. WE BELIEVE IT WOULD BE USEFUL IF EMBASSY TOKYO WOULD APPROACH APPROPRIATE LEVELS OF GOJ AND, IF DEEMED APPROPRIATE, KAWASAKI TOP MANAGEMENT AND DISCUSS THE SUBJECT IN TERMS OF THE FOREGOING POSSIBLE COMPLICATIONS FOR KAWASAKI'S INTERESTS AS WELL AS IN THE CONTEXT OF POSSIBLE INTERFERENCE IN US/RP BASE NEGOTIATIONS. IT MIGHT ALSO BE STRESSED THAT CLOSE CONSULTATIONS BETWEEN KAWASAKI AND USG ARE NECESSARY SINCE SPECIFIC PROBLEMS SUCH AS ACCESS, PORT AND TRAFFIC CONTROL, NAVIGATIONAL SAFETY, LOCAL ECONOMIC IMPACT, NEED TO BE CONSIDERED. WE
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WOULD HOPE TO GET ACROSS OUR PREFERENCE THAT KAWASAKI REFRAIN FROM ENTANGLEMENT IN FILIPINO EXERCISES RESPECTING SUBIC NAVAL BASE OR ITS ENVIRONS FOR THE TIME BEING. IF KAWASAKI FEELS IT MUST GO AHEAD FOR ECONOMIC OR OTHER REASONS, WE WOULD PREFER WE GET TOGETHER AND DISCUSS NEXT STEPS BEFORE THEY BECOME PUBLIC PROPERTY.

7. IF DEPT CONCURS IN THIS PROPOSAL AND EMBASSY TOKYO SEES NO OBJECTION, REQUEST DEPT AUTHORIZE TOKYO TO MAKE DEMARCHE AS

SUGGESTED ABOVE.
SULLIVAN

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NNN

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